

## Message Text

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ACTION EA-06

INFO OCT-01 SS-14 ISO-00 NSC-06 NSCE-00 INR-05 CIAE-00

SP-02 SNM-01 TRSE-00 OMB-01 OES-02 /038 W

-----221145Z 064026 /10

R 221000Z APR 77

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 3360

C O N F I D E N T I A L SECTION 1 OF 2 RANGOON 1131

LIMDIS

S/NM MS FALCO

E.O. 11652: N/A

TAGS: SNAR, BM

SUBJ: PRC OPIUM PURCHASES FROM BCP?

SUMMARY: SHOULD THE PRC BE ENCOURAGED TO PREEMPT ILLICIT OPIUM SUPPLIES BY BUYING BURMESE OPIUM FROM THE PRC/SUPPORTED BCP INSURGENTS? THE IDEA IS NOT ONLY IMPRACTICAL BUT POTENTIALLY HARMFUL, FOR SEVERAL REASONS SET FORTH BELOW. IN FACT, PRC IS POSSIBLY ALREADY BUYING OPIUM FROM THE BCP, AND IT WOULD MAKE MORE SENSE (BUT WOULD STILL BE IMPRACTICAL) FOR US TO TRY TO PERSUADE PRC TO STOP BUYING IT THAN TO URGE THEM TO BUY MORE. OUR BEST COURSE MIGHT BE SIMPLY TO SEEK PRC MORAL SUPPORT FOR THE ANTI-NARCOTICS EFFORT IN THE GOLDEN TRIANGLE. END SUMMARY.

1. THE SUGGESTION IS SOMETIMES MADE THAT THE PRC BE URGED TO UNDERTAKE PREEMPTIVE BUYING OF OPIUM FROM OR VIA THE BCP. THE IDEA SOUNDS PLAUSIBLE AND IS ATTRACTIVE AS A MEANS OF GETTING THE PRC TO "SHARE THE BURDEN" OF COPING WITH THE WORLD-WIDE NARCOTICS PROBLEM. UNFORTUNATELY, THE SUGGESTION IS NOT JUST IMPRACTICAL, IT IS HARMFUL.

2. THERE IS SOME EVIDENCE--THOUGH NO PROOF--  
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THAT THE PRC IS ALREADY BUYING (OR ACQUIRING BY BARTER, TO BE EXACT) PART OF THE OPIUM PRODUCED IN BCP-CONTROLLED AREAS OF BURMA. IT IS REASONABLE TO ASSUME THE PRC IS ALREADY BUYING AS MUCH BCP OPIUM AS IT WANTS AND HAS A LEGITIMATE USE FOR (WE HAVE NO REPEAT NO REASON TO SUSPECT THAT ANY PART OF THIS PRC-PURCHASED OPIUM EVER ENTERS THE ILLICIT MARKET). FOR THE PRC TO MAKE ENOUGH ADDITIONAL

PURCHASES TO ABSORB ALL OR ALMOST ALL OF THE BCP-CONTROLLED CROP WOULD REPRESENT A CONSIDERABLE EXPENSE FOR THE PRC, AND ONE WHICH IT IS MOST UNLIKELY TO UNDERTAKE OUT OF ALTRUISM. HOWEVER, EVEN IF THE PRC COULD BE PERSUADED OR INDUCED, AND IF IT WERE ABLE TO BUY ALL THE OPIUM THE BCP COULD DELIVER, ITS DOING SO WOULD NOT STOP OR EVEN, IN THE SLIGHTLY LONGER RUN, SIGNIFICANTLY REDUCE THE FLOW OF BURMESE OPIUM INTO THE ILLICIT TRADE. CURRENT ESTIMATES SOURCE ABOUT 40 PERCENT OF BURMA'S OPIUM CROP TO BCP-CONTROLLED AREAS, BUT EVEN IN THOSE AREAS BCP CONTROL IS LESS THAN ABSOLUTE. HENCE, IF AND AS ILLICIT TRAFFICKERS BID UP THE PRICE IN COMPETITION WITH BCP BUYERS, THE BCP WOULD LACK THE ABILITY TO PREVENT MANY GROWERS FROM SELLING THEIR OPIUM TO THE HIGHEST BIDDER, EVEN IN SOME AREAS NOMINALLY DOMINATED BY THE BCP. IN OTHER AREAS, THE COMPETITIVE BIDDING UP OF PRICES WOULD PROBABLY STIMULATE ADDITIONAL PRODUCTION.

3. IN THE CASE OF A PREEMPTIVE PRC BUY, THE BCP WOULD PROBABLY BE ABLE TO DEMAND PAYMENT FOR ITS OPIUM IN ARMS AND AMMUNITION, ALONG WITH OTHER ESSENTIAL COMMODITIES. IN ANY CASE, THERE IS NO REASONABLE WAY IN WHICH THE BCP COULD BE PREVENTED FROM USING THE OPIUM PAYMENTS, WHATEVER THEIR INITIAL FORM, TO BUY ARMS. ANY ADDITIONAL ARMS SUPPLIED TO THE BCP WOULD BRING ABOUT NOT ONLY AN EXPANSION OF THE AREAS UNDER BCP CONTROL, BUT ALSO A WEAKENING OF GUB CONTROL OVER CERTAIN CONTIGUOUS AREAS. A WEAKENING OF GUB AUTHORITY IN THE CONTIGUOUS AREAS NOW UNDER GUB CONTROL WOULD MOST PROBABLY LEAD TO AN INCREASE

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IN OPIUM CROPPING IN THESE CONTIGUOUS AREAS, BUT WOULD NOT NECESSARILY PLACE THEM UNDER BCP CONTROL, WITH THE END RESULT THAT THE INCREASED OPIUM PRODUCTION WOULD BE AVAILABLE TO THE ILLICIT BUYERS, THUS, IN EFFECT, TENDING TO OFFSET ANY REDUCTION OF OPIUM AVAILABILITIES CAUSED BY THE PREEMPTIVE BUY.

4. ANYONE PROPOSING ANY PREEMPTIVE BUYING SCHEME MUST RECOGNIZE THAT THE GUB WOULD UNDERSTANDABLY REGARD IT AS TANTAMOUNT TO "INDIRECT AGGRESSION". THE CONSEQUENT IMPAIRMENT OF GUB-US COOPERATION WOULD LARGELY NEGATE OUR PROGRAM GAINS OF THE LAST FEW YEARS. AS YOU KNOW, WE HAVE REASON TO BELIEVE THAT AS MUCH AS A COUPLE OF HUNDRED TONS MAY HAVE BEEN WITHHELD FROM THE ILLICIT MARKET IN THE PAST YEAR. THE ADVERSE EFFECT OF A PREEMPTIVE BUY UPON THE BURMESE PROGRAM ALONE, QUITE APART FROM THE OTHER FACTORS DESCRIBED ABOVE, COULD THUS RESTORE 150-200 TONS TO THE ILLICIT TRAFFIC. IT IS MOST UNLIKELY THAT THE PRC COULD OR WOULD INCREASE ITS PURCHASES FROM THE BCP BY MORE THAN THAT AMOUNT.

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C O N F I D E N T I A L SECTION 2 OF 2 RANGOON 1131

LIMDIS

5. WHILE A PRC PREEMPTIVE BUY WOULD THUS BE HARMFUL AS WELL AS IMPRACTICAL, THE CONTRARY IDEA, OF TRYING TO GET THE PRC TO STOP BUYING OPIUM FROM THE BCP, (IF INDEED IT IS NOW DOING SO) WOULD PROBABLY BE BENEFICIAL, IF ONLY THE PRC WOULD AGREE; UNFORTUNATELY, WHILE IT IS SOMEWHAT MORE REALISTIC THAN THE IDEA OF A PREEMPTIVE BUY, IT IS STILL NOT A PROPOSITION THAT THE PRC COULD COMFORTABLY ACCEPT UNLESS IT HAS ACTUALLY DECIDED-- AS SOME BURMESE OPTIMISTS HOPE--TO WITHDRAW ITS MATERIAL SUPPORT FROM THE BCP.

6. WHILE A PRC REFUSAL TO BUY OPIUM FROM THE BCP WOULD marginally INCREASE AVAILABILITIES OF OPIUM, IT WOULD, MORE TO THE POINT, REDUCE THE INCOME OF THE BCP AND ULTIMATELY RESTRICT THEIR SUPPLY OF WEAPONS. THIS WOULD, IN TURN, BRING ABOUT THE RESTORATION OF MORE AREAS TO GUB CONTROL, WHICH HAS SHOWN ITSELF SO FAR TO BE THE MOST EFFECTIVE ANTI-NARCOTICS FORCE IN THE GOLDEN TRIANGLE AREA. AT ANY RATE, THE EXTENSION OF EFFECTIVE BURMESE CONTROL THAT WOULD RESULT FROM ANY SIGNIFICANT REDUCTION IN BCP STRENGTH WOULD BE A CONSIDERABLY MORE RELIABLE MEANS OF KEEPING BURMESE OPIUM OUT OF THE INTERNATIONAL TRAFFIC THAN PREEMPTIVE BUYING.

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7. EVEN THOUGH THE PRC NOW BUYS ONLY A SMALL PART OF THE OPIUM PRODUCED IN BCP CONTROLLED AREAS, THE PRC PURCHASES, LIKE THE CONSUMPTION BY DOMESTIC ADDICTS, HELP TO SUSTAIN PRODUCTION FOR THE ILLICIT INTERNATIONAL TRADE BY PROVIDING A STEADY "FLOOR" FOR DEMAND. IF PRC PURCHASES WERE STOPPED, DEMAND WOULD BE TO THAT EXTENT CONSTRICTED.

8. ANY SCHEME THAT INVOLVES GETTING THE PRC TO UNDERTAKE ANY ACTION VIS A VIS THE BCP IS AT BEST SPECULATIVE, FOR THE PRC HAS ALWAYS SOUGHT TO PROTECT ITS "PARTY-TO-PARTY" RELATIONSHIP WITH THE BCP FROM "INTERFERENCE", EVEN BY THE GUB. THE POSSIBILITY THAT THE PRC WOULD LET ANY OTHER THIRD PARTY HAVE A VOICE IN ITS RELATIONS WITH ITS INSURGENT CLIENTS IS SLIGHT. HOWEVER, THE PRC HAS AT TIMES IN THE PAST SEEMED TO TAKE PRIDE IN ITS DOMESTIC ACHIEVEMENT IN STAMPING OUT OPIUM ABUSE. WHILE THE POSSIBILITY OF GETTING THE PRC TO DO ANYTHING HELPFUL IN THE GOLDEN TRIANGLE IS SMALL, THE POSSIBILITY OF GETTING THE PRC TO EXPRESS DIS-APPROVAL OF NARCOTICS TRAFFIC IN THAT AREA IS AT LEAST LARGE THAN THE POSSIBILITY OF ARRANGING A PRC PREEMPTIVE BUY. IF THE U.S. IS GOING TO ASSOCIATE ITSELF WITH ANY EFFORT TO INVOLVE THE PRC IN THIS PROBLEM, AN EFFORT TO GET PRC SUPPORT IN CONDEMNING THE TRAFFIC--AND, IF POSSIBLE, PREVENTING POPPY CULTIVATION--WOULD BE THE MOST NEARLY PRACTICAL, AS WELL AS THE MOST STRAIGHT-FORWARD.

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